Statement of
The Honorable Jeffrey A. Rosen
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Before the
Subcommittee on Surface Transportation and Merchant Marine
Committee on Commerce, Science and Transportation
United States Senate
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Chairman Lott, Senator Inouye, and members of the Committee, I appreciate the opportunity to appear before you today to represent Secretary of Transportation Norman Y. Mineta and the Administration as this Congress takes up the very important issue of reform of intercity passenger rail service. If my testimony today accomplishes one thing, I hope it is to convince you that fundamental change in the way we support intercity passenger rail service is not only necessary but inevitable. And that change needs to happen this year, before we spend one more taxpayer dollar to prop up a fundamentally broken system.

The passenger rail service model created by the Federal government in 1970 is not viable in 2005. The model created in 1970 was a single national monopoly set up to be a private corporation but it has instead become like a government agency relying on federal support to survive, with a legacy system of routes incapable of adapting to market forces and demographic changes. It has little in common with our other modes of transportation and the deregulatory and market-oriented changes other modes have experienced in the last three decades. America's transportation system as a whole—our system of roads, airports, waterways, transit lines, and the mostly private operators who use them—provides excellent mobility, connectivity, and efficiency that have undergirded our economic growth. Sadly, intercity passenger rail has been a different story. The supposedly private for-profit corporation set up in 1970 to provide all intercity passenger rail nationally has never once covered its own costs, much less made a profit. And the federal taxpayers have infused more than $29 billion during the last 34 years as Amtrak has lurched from crisis to crisis without ever achieving a stable and viable business model. Whatever one thinks of Amtrak or passenger rail more generally, this situation has been good for no one.

To some, perhaps this is old news. Congress looked for change in the Amtrak Reform and Accountability Act of 1997, and actually indicated that "Federal financial assistance to cover operating losses incurred by Amtrak should be eliminated by the year 2002." In fact, the notion that Amtrak should operate free from Federal operating subsidies is codified in the United States Code. 49 U.S.C. §24101(d) states that "Commencing no later than the fiscal year following the fifth anniversary of the Amtrak Reform and Accountability Act of 1997, Amtrak shall operate without Federal operating grant funds appropriated for its benefit." In the 1997 Act, Amtrak was afforded new flexibility to get its own house in order. But by 2002, Amtrak's situation was no better; to the contrary, it had grown worse, with massive increases in Amtrak's debt, continuing operating problems, and financial crises in both 2001 and 2002. Amtrak's response once again was to turn to the Federal government for even greater federal financial assistance. In no other functioning service market would rising costs and declining revenues be defined as a "success" if this produced a small increase in the number of customers. Yet, that is exactly what the defenders of the 1970 approach now say, as if the loss for each rider were "made up in volume". In 2004, Amtrak increased its ridership by approximately 4% to a record 25 million passengers, asked for a record $1.8 billion Federal subsidy, and recorded a financial loss of more than $1.3 billion, of which approximately $635 million was a cash loss.[1]

Things do not have to be this way. The Administration has made clear that there is an important role for intercity passenger rail in our transportation system, with a new model that will be responsive to the needs of the traveling public. But we can only get there by reforming the failed model of 1970, and committing to a new approach. Happily, Amtrak itself now recognizes the need for reform, and we have reached a time when a new approach may now be possible. It is from this standpoint that I am pleased to be here today to discuss the future of intercity rail.

In my testimony today I will cover three things. First, I will provide a summary of the historical trends and current state of Amtrak's provision of passenger rail service. Second, I will briefly review some recent history of Amtrak efforts to sustain itself and the events leading up to the near-crisis situation we face today in intercity passenger rail service. And finally, I will outline the Administration's approach to saving intercity passenger rail and setting the platform for its viability in the future.

I. RIDING THE RAILS: AMTRAK'S PAST AND PRESENT.

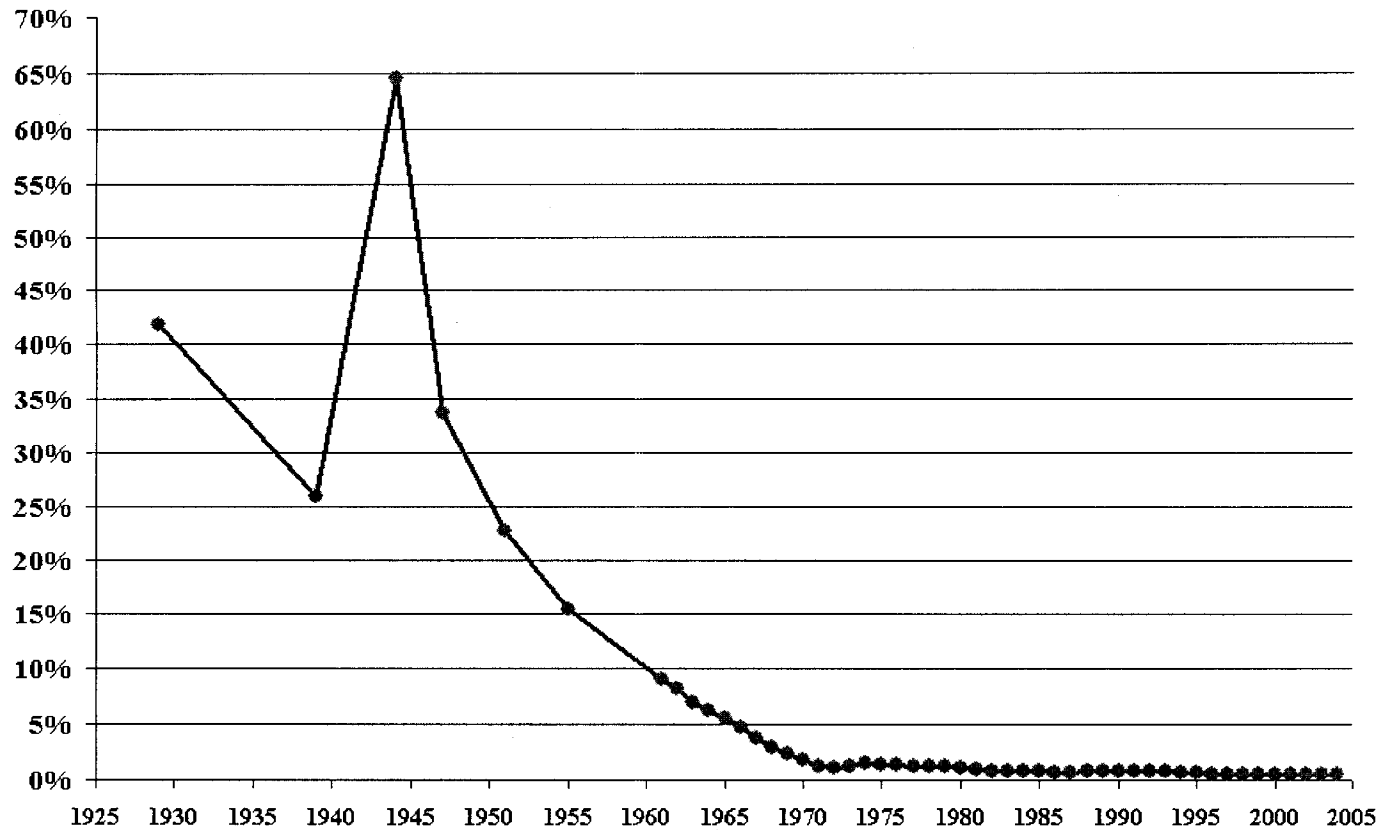
Amtrak was created in 1970 as a private corporation in a major restructuring of the larger rail industry, which was in a state of major financial distress. In that restructuring, freight railroads ceased providing passenger service altogether. Instead, for the first time, there would be a single national provider of intercity passenger rail service to replace the multiple regional systems that reflected the areas covered by each of the freight railroads' route systems. The intent was that the national monopoly would reinvigorate passenger rail by permitting Amtrak to consolidate operations and achieve efficiencies that, after a very brief period of Federal assistance, would preserve and expand intercity passenger rail service as a for-profit company.

By now we know that the hopes of Amtrak's creators have never been realized. Intercity passenger rail service has not been reinvigorated. The Department of Transportation (DOT) expects that each and every one of Amtrak's 15 long-distance trains will this year lose money on a fully allocated cost basis, even excluding depreciation and interest. On a per passenger basis, with depreciation and interest, the loss for long-distance trains ranges from $47 per passenger to $466 per passenger. But the long-distance trains are not alone: with depreciation and interest included, *every one* of Amtrak's 43 regularly scheduled routes loses money. After 34 years and $29 billion in Federal subsidies,

[1] These are unaudited numbers.

intercity passenger rail's financial performance has not improved, service and on-time performance are below expectations, and passenger rail's market share relative to other modes has continued to erode. Last year's so-called "record" Amtrak ridership amounted to a one-half of one percent share of the total intercity passenger transportation market. Airlines alone carry more U.S. passengers in three weeks than Amtrak does in a year.

Rail as Percent of Estimated Total Intercity Passenger Travel, 1929-2004



Sources: Rail travel: Association of American Railroads, *Yearbook of Railroad Facts*; Amtrak. Total intercity passenger travel is an FRA estimate synthesized from data provided by the Federal Highway Administration, Federal Aviation Administration, Bureau of Transportation Statistics (including travel behavior characteristics the 1995 American Travel Survey), the AAR, and Amtrak. For rail, "intercity" passenger-miles are an approximation as they include all passenger-miles generated on intercity trains, regardless of the length or purpose of individual trips. All air travel is deemed "intercity." For highway modes (privately-owned vehicles and buses), the synthesis approximates intercity travel as trips of 100 miles or more one-way.

That also belies one of the frequent arguments of today's defenders of the 1970 model– that the Federal government supposedly subsidizes other modes of transportation at a much greater rate than Amtrak. In fact, FY 2005's appropriated subsidy of $1.207 billion represented approximately 9% of the total discretionary Federal funds for the Department – 9% of the subsidy goes for one-half of one percent of the market. The argument also passes quickly over another important fact: highways, transit and aviation are, unlike rail, funded substantially by true user fees and also by state investments. (Even the most ardent rail proponents evince little interest in a new Federal passenger rail ticket tax.)

Perhaps most importantly, however, the argument overlooks that federal financial support for roads, airports, and transit goes to **infrastructure** and not to operations. In other modes of transportation, federal aid goes to highway and airport infrastructure, for example, but federal taxpayers are not regularly asked to write annual billion dollar checks to private trucking companies, private bus companies, private automobile commuters and vacationers, nor even to private airlines, although the taxpayers have regularly done so with regard to Amtrak.

In considering where we are with Amtrak, it is useful to consider the varied things that Amtrak presently does. Generally, these can be grouped into activities relating to rail infrastructure, corridor train operations, and long-distance train service.

Rail Infrastructure

Amtrak owns its own right of way and infrastructure along most of the Northeast Corridor (NEC), except in Massachusetts and part of Connecticut, where the infrastructure is owned by those States. Amtrak also owns some infrastructure in Michigan, as well as train stations in a number of states. Otherwise, Amtrak mostly operates trains on infrastructure owned by others.

Within the Northeast Corridor, Amtrak controls the infrastructure not only for its own use, but for use by numerous other railroads and transit agencies.

List of Users of the NEC Other than Amtrak

CSX	New Jersey Transit
Long Island Rail Road	Norfolk Southern
Maryland Rail Commuter Service	Providence and Worcester Railroad
Massachusetts Bay Transportation Authority	Shore Line East (Connecticut)
Metro-North Commuter Railroad	Southeastern Pennsylvania Transportation Authority
Delaware DOT	Virginia Railway Express
Rhode Island DOT	Consolidated Rail Corporation
Canadian Pacific	

These other users of the NEC pay Amtrak for access and associated services, such as train dispatching. In total, trains operated by other users on the NEC actually exceed the number of trains operated by Amtrak itself on the NEC.

Because of the way the 1970 model of intercity passenger rail was organized, maintenance and development of infrastructure for passenger rail has been left to Amtrak.

In FY05, Amtrak plans to spend $215 million on fixed facility infrastructure projects, most of which will come from the $1.2 billion of federal appropriations to be provided to Amtrak.[2] None of those funds will be allocated to States, or to infrastructure in locations where Amtrak does not presently operate.

Corridor Services

When viewed from the perspective of moving passengers, and the distance they are moved (passenger-miles), Amtrak can be seen as providing two types of services: corridor services of approximately 100-500 miles and frequently under contract to States in which these corridors are located; and long-distance, primarily leisure travel services. Within the category of corridor services, there are two different types: services on the NE corridor, where Amtrak operates on its own infrastructure, and services on other state corridors, where Amtrak operates on infrastructure owned and controlled by others.

Corridor services, which are trips of five hours or less, have seen an increase in ridership of 50 percent over the last ten years. Rail corridor service of three hours or less is very competitive with air service on the same corridors. Approximately twenty million people, or 80 percent of all Amtrak riders in 2004, traveled on a corridor service.

THE NEC. The largest portion of Amtrak corridor trips are on the Washington—New York City – Boston Northeast Corridor. This is not surprising since this corridor has a long history of rail travel, a large and mobile population base, and significant public investment has gone into the infrastructure. NEC travel accounts for almost half of all the people who travel on Amtrak. If one looks at NEC train operations, separate from the NEC infrastructure, this is the one area where Amtrak operates at something close to a breakeven basis.

OTHER CORRIDORS. In addition to the NEC main line, Amtrak operates trains for corridor service in fifteen other states.

List of States with Corridor Service Note: States listed are the primary states served by each corridor.	
CALIFORNIA Pacific Surfliner Capitols San Joaquins **CONNECTICUT/MASSACHUSETTS** Inland Route (New Haven-Springfield) **ILLINOIS**	**NEW YORK** Empire/Maple Leaf Adirondack **NORTH CAROLINA** Carolinian (Extended corridor) Piedmont **OKLAHOMA** Heartland Flyer

[2] The total federal capital grant for FY 2005 is $492 million, of which approximately one-third will go toward fixed facilities, one third to mechanical (car and locomotive) projects, and one third to debt principal repayment, environmental remediation, information systems, and other purposes.

Chicago-St.Louis
Illini
Illinois Zephyr
Hiawatha (with Wisconsin)

MAINE
The Downeaster

MICHIGAN
Wolverines
Blue Water
Pere Marquette

MISSOURI
Kansas City-St.Louis

OREGON
Cascades (with Washington)

PENNSYLVANIA
Keystone Service
Pennsylvanian (Extended corridor)

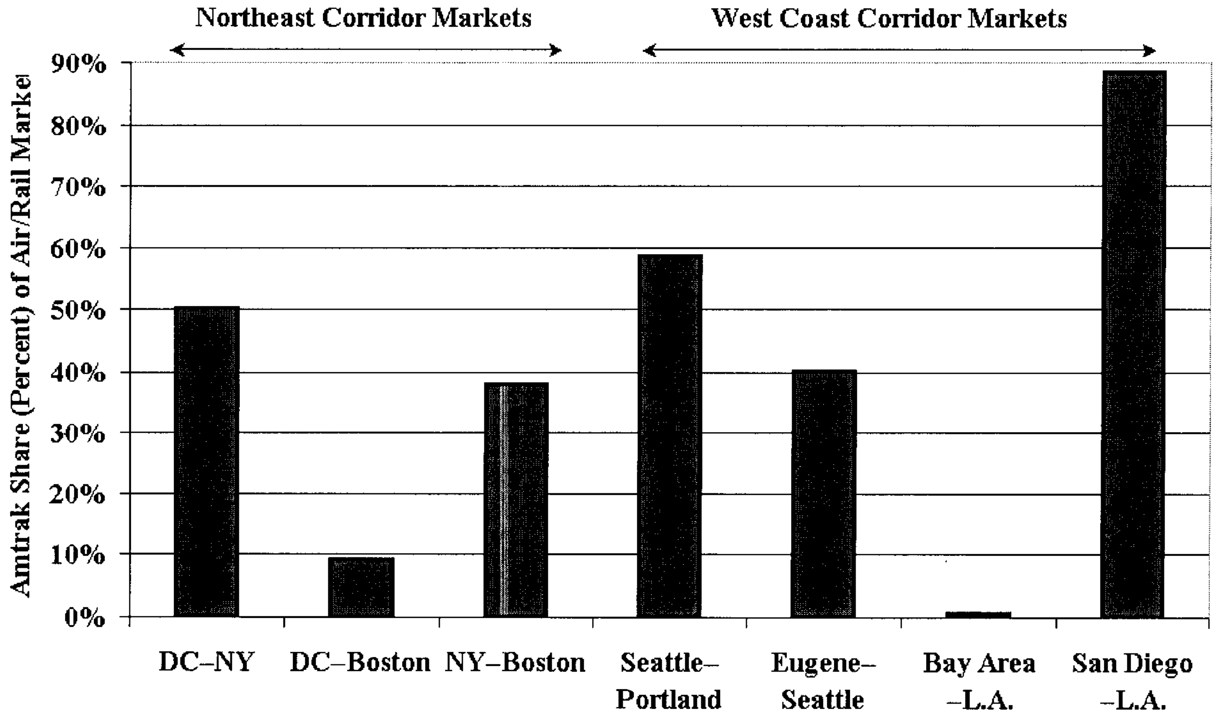
WASHINGTON
Cascades (with Oregon)

WISCONSIN
Hiawathas (with Illinois)

VERMONT
Ethan Allen Express
Vermonter (Extended corridor)

As shown in the chart below, there are several corridors in which the train service has been able to attract a very significant share of intercity passengers. In 2004, a total of approximately eight million people (i.e., approximately one-third of the total Amtrak ridership) traveled on these corridor routes. In many instances, these corridors are subsidized in part by States. State operating subsidies for these trains totaled ten percent of the combined Federal and State funding of Amtrak. However, States have not borne the full cost of these routes, and some States that have corridor trains have not paid anything at all, thereby producing issues of equity among the States, as well as market uncertainties about how travelers value the services.

In Specific City-Pairs, Rail Can Attract Significant Share of Air/Rail Market (FY 2004 Data)



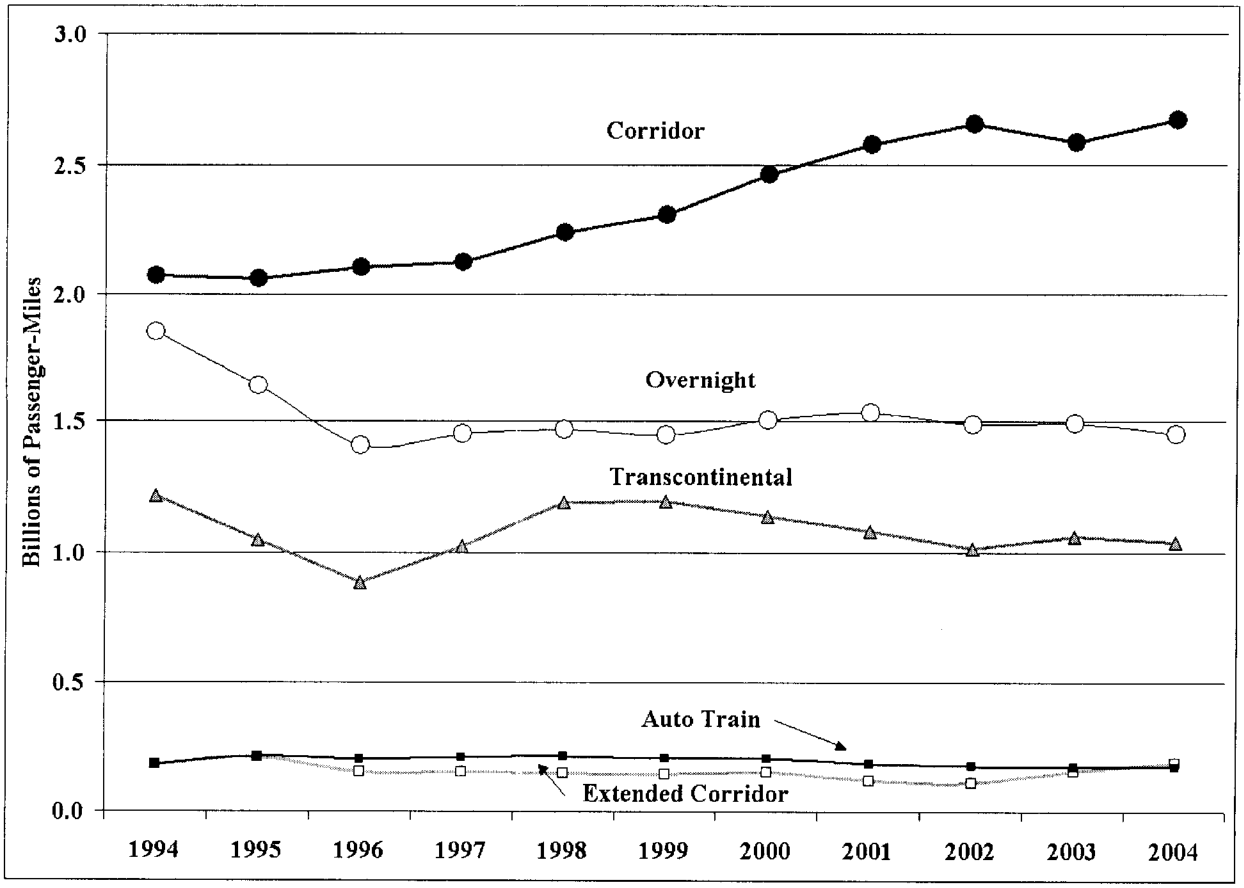
Sources: Amtrak and FRA data.

Long-Distance Services

Contrary to the trend line for ridership on corridor services, extended trips have seen declining revenues and ridership--and increasing costs--over the last ten years. DOT refers to these services as Transcontinental (more than one night), Overnight (one night) or extended corridor (greater than 500 miles, but with no sleeping accommodations). Amtrak presently operates fifteen such trains.[3] Amtrak has continued to lose extended trip customers to an airline industry that is offering a low cost, high quality service, and to automobile drivers who choose to use the highways rather than rail. Amtrak has had little or no success responding to this competition. As Amtrak's presence in this segment of the intercity transportation market has dwindled, Federal subsidies per passenger have continued to grow. In FY 2004, the average passenger on a long-distance train received a subsidy of approximately $214 per trip on a fully-allocated basis, [4] up from $158 in the

[3] The long-distance routes are as follows: Vermonter, Silver Service, Cardinal, Empire Builder, Capitol Limited, California Zephyr, Southwest Chief, City of New Orleans, Texas Eagle, Sunset Limited, Coast Starlight, Lake Shore Limited, Crescent, Pennsylvanian, Carolinian. The Auto-Train, a specialized service, also operates over a long-distance route but with completely different characteristics. The Three Rivers (New York–Pittsburgh–Akron–Chicago) was discontinued in March 2005.
[4] Fully allocated costs include depreciation and interest.

year 2000 – a 35 percent increase quintupling the modest 7 percent inflation over the same period.



Source: Amtrak traffic data.

Moreover, these long-distance trains have had considerable difficulty with regard to on-time departures and arrivals:

On-Time Performance of Long-Distance Trains, FY 2004

Train Name	Service type	Between	—And	Percent On-Time (Zero Tolerance)	Average Minutes Late per Train (All Trains)	Average Minutes Late per Late Train
California Zephyr	Transcon	Chicago	Bay Area	14.2%	136	159
Capitol Ltd.	Overnight	Chicago	Washington	13.8%	101	118
Cardinal	Overnight	Chicago	New York via Cincinnati	33.1%	48	74

Carolinian	Extended Corridor	New York	Charlotte	26.9%	38	51
City of New Orleans	Overnight	Chicago	New Orleans	47.7%	26	50
Coast Starlight	Overnight	Seattle	Los Angeles	10.8%	139	157
Crescent	Overnight	New York	New Orleans	41.6%	34	58
Empire Builder	Transcon	Chicago	Seattle	68.3%	11	36
Lake Shore Ltd.	Overnight	Chicago	New York	8.2%	123	134
Pennsylvanian	Extended Corridor	New York	Pittsburgh	17.2%	32	39
Silver Meteor	Overnight	New York	Miami	25.6%	84	113
Southwest Chief	Transcon	Chicago	Los Angeles	28.5%	68	96
Sunset Limited	Transcon	Orlando	Los Angeles	1.6%	359	366
Texas Eagle	Overnight	Chicago	San Antonio	41.9%	57	98
Vermonter	Extended Corridor	Washington	St. Albans VT	32.1%	21	30

Overall, the picture of where things stand in intercity passenger rail service is far from what was hoped for when Amtrak was created in 1970.

II. RECENT HISTORY AND THE CALL TO CHANGE.

During the 1990's, there was an increasing recognition that the 1970 model of intercity passenger rail had developed some very serious problems. Congress sought to redress some of those in the 1997 Amtrak Reform Act. Unfortunately, the reforms embodied in the 1997 Act did not prove sufficient to solve the problems.

Many of the reforms in the 1997 Act empowered Amtrak to improve its own performance, and removed impediments to its doing so. After passage of the 1997 Act, Amtrak's then-management repeatedly reported that it was it on a "glide path" to self-sufficiency by 2002. That did not happen. The problems worsened, and it became increasingly clear that they were not solely the result of business misjudgments, but also involved inherent flaws in the 1970 model.

Instead of a successful "glide path", Secretary Mineta was greeted with some unwelcome surprises in his initial experiences with Amtrak during the current Administration. Early in 2001, instead of Amtrak being months from self-sufficiency as reported, Amtrak's then-management advised that Amtrak would be insolvent within two weeks unless DOT subordinated the interest of U.S. taxpayers to a foreign bank so that Amtrak could mortgage its rights to use Pennsylvania Station in New York City. Within a year, Amtrak had lurched to yet another financial crisis, informing the Secretary that if the Department and Congress did not provide the company another $300 million, it would be insolvent within two weeks and would also shut down commuter and intercity services. In response, to obtain time to assess and identify more long term reforms, DOT provided Amtrak a $100 million loan under the Railroad Rehabilitation and Improvement Financing Program, and Congress provided the remaining $205 million through a supplemental appropriation.

These crises highlighted fundamental problems, some of which needed immediate action by Amtrak, and some of which were revealed to be inherent to the 1970 business model and in need of legislative change. Among the most urgent for Amtrak itself was the state of its financial books and records. Indeed, it took independent auditors almost all of FY 2002 to close their audit of Amtrak's FY 2001 financial performance. That audit required $200 million in net audit adjustments and found 5 material weaknesses and 12 reportable conditions that needed to be addressed to fix the problems with Amtrak's accounting practices. It also revealed that Amtrak had taken on almost $3 billion in new debt in order to pay for (1) costly overruns of poorly managed capital improvements, (2) an unsuccessful foray into the express package business, and (3) day-to-day operational expenses.

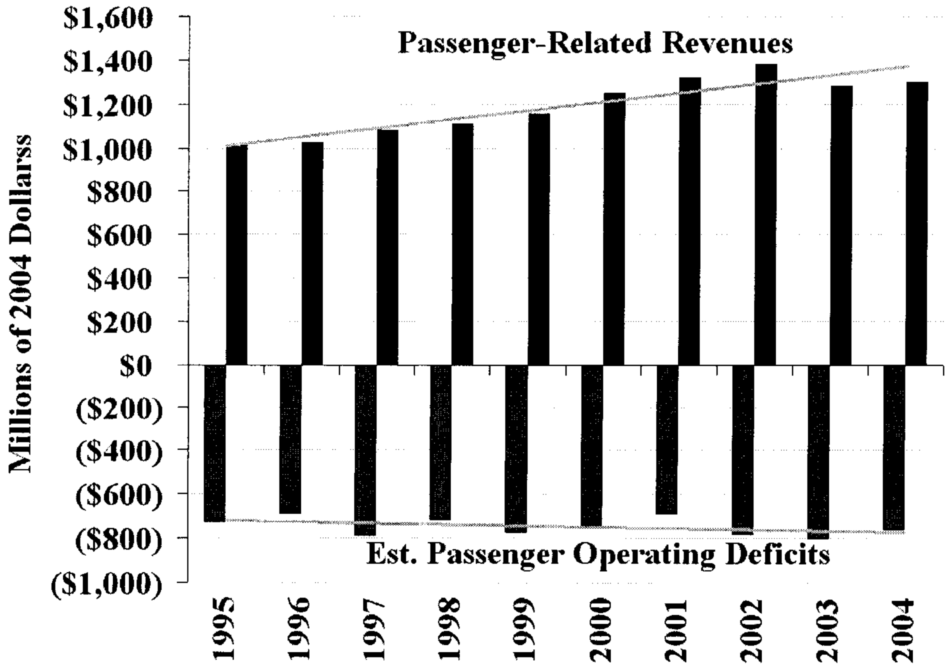
Since 2002, Amtrak's record-keeping has improved. In 2005, the independent audit was completed in March instead of September and no material weaknesses were found. While Amtrak's auditors still find significant areas for improvement, they comment favorably on developments over the last three years.

Through participation on the Amtrak Board, and through changes to the appropriations process that enabled stronger FRA oversight of the grant process to Amtrak, Secretary Mineta and DOT have sought a variety of improvements that Amtrak could make on its own. That process continues and is ongoing. Because I anticipate that the improvements instituted since David Gunn assumed leadership of Amtrak will be covered in the testimony to be supplied by Amtrak itself, I will not detail them here, but it should suffice for me to say that Amtrak operates in a more efficient and better way than it did three years ago.

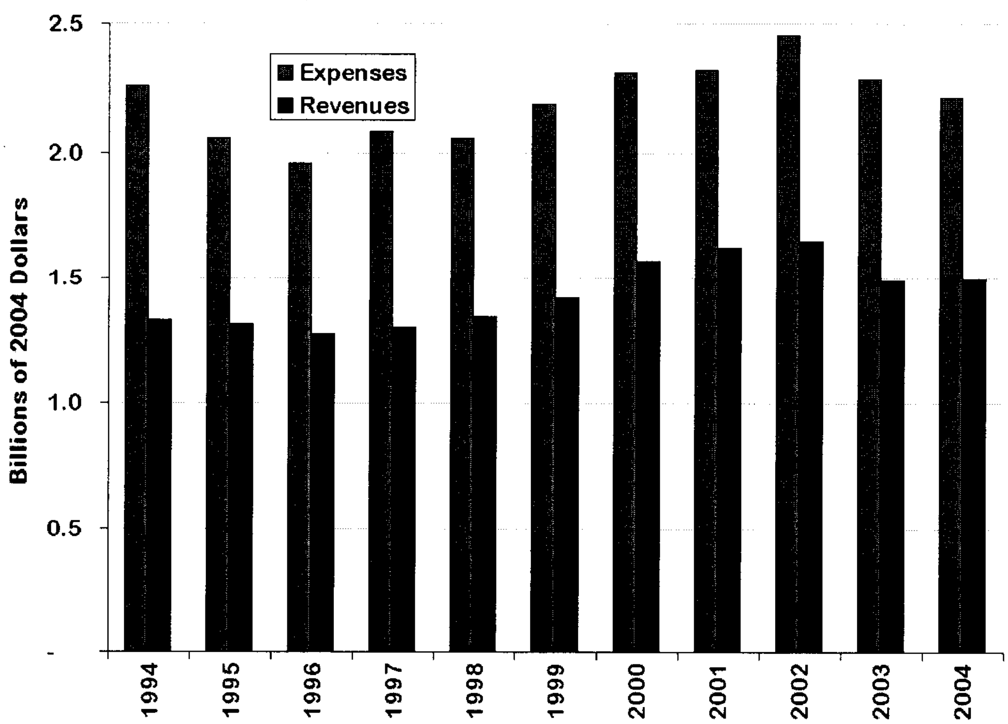
But notwithstanding the very significant management improvements and a much-enhanced and valuable involvement of the Amtrak Board, fundamental difficulties continue to confront Amtrak, because the 1970 model of intercity passenger rail is a framework that is flawed. Amtrak continues to spend dramatically more money than the revenues it generates, and this year is spending at a pace greater than the appropriation from Congress. Amtrak estimates that by the end of FY 2005 it will have only $75 to $100 million of cash remaining, with its costs continuing to far exceed its ticket sales.

As shown by the two charts below, the structural problem in Amtrak's condition is long-term, and is getting worse, not better.

Amtrak's Constant-Dollar Passenger Revenues and Estimated Passenger Deficits



Amtrak's Constant-Dollar Gap Between Core Expenses and Revenues



Further adding to Amtrak's deterioration is that the company's debt increased massively in the late 1990's, from $1.7 billion in 1997 to $4.8 billion in 2002, without adequately increased passenger revenues to pay the debt service. Because of this increased debt, Amtrak's repayment requirements (principal and interest) are forecasted to be approximately $273 million in FY 2005 (up from $111 million in 1997).

The FY 2005 appropriation for Amtrak of $1.2 billion represents a 134 percent increase over the appropriation for FY 2001. Amtrak's President has said that as presently configured, Amtrak cannot successfully operate through FY 2006 without *much larger* amounts of taxpayer funds being allocated to this private company. Indeed, the increase sought by Amtrak -- 256 percent above the 2001 appropriation -- would far outstrip the 22 percent increase in domestic discretionary spending over the same time period. For the federal taxpayers, that is a spiral in the wrong direction.

Passenger rail is already by far the most heavily subsidized form of intercity passenger transportation. When viewed on a per passenger-mile basis, analysis by the Bureau of Transportation Statistics indicates that the aggregate Federal expenditure for intercity passenger rail is 30 times greater than for commercial aviation. Likewise, the intercity bus industry, where there are no comprehensive or dedicated Federal operating subsidies, carries as many as 350 million passengers annually (according to Eno Foundation estimates)—fourteen times Amtrak's ridership. So continually increased operating subsidies is not the right answer.

What is more clear now than ever is that the basic business model through which we provide intercity passenger rail service in this country--a single national entity called Amtrak--is unworkable and is not adequately positioned to respond to the changing transportation needs of this country. Massive increases in funding to merely slow a downward spiral are neither sustainable nor justifiable. At the same time, doing nothing at all will eventually result in a business failure and a lost opportunity for intercity passenger rail for this country. A change is needed.

III. <u>THE ADMINISTRATION'S PLAN FOR REFORM AND PRESERVATION OF INTERCITY PASSENGER RAIL .</u>

As a matter of transportation policy, the Administration supports the availability of intercity passenger rail, but with a very different vision than the failed model of the past. Secretary Mineta has repeatedly set out the fundamental principles needed to reform intercity passenger rail and place this form of transportation on a sound footing. These principles are:

- ***Establish a long–term partnership between States and the Federal Government to support intercity passenger rail***: Partnerships between the States and the Federal Government for the planning, decision-making and capital investment in transportation have been one valuable element in the success of Federal programs for highways and transit to date. The States, through their multi-modal planning mechanisms, are in a much better position to determine their intercity mobility needs and which form of investment makes the most sense in meeting these needs than a sole supplier company in Washington, D.C. State-supported intercity passenger rail services in places like the states of Washington, North Carolina, California, and Wisconsin have been one of the bright spots for intercity passenger rail ridership. The Administration wants to build upon these successes through a new program of Federal/State capital funding partnerships in which the federal government would provide matching grants.

- ***Require that Amtrak transition to a pure operating company***: Amtrak today is both an operating company and the owner and maintainer of significant infrastructure that forms a key component of the intercity and commuter transportation systems of eight states in the Northeast, as well as many stations and other facilities that have local or regional transportation importance. These are two very different functions. By having them both reside in the same entity, the company is faced with conflicting priorities, which the company has found difficult, if not impossible, to balance. Infrastructure decisions have depended on Amtrak decisions, rather than those of the States and localities who are largely responsible for such planning in other transportation modes such as highways, airports, and transit. Amtrak, and the nation's transportation system, would be better off with Amtrak able to focus on one thing—operating trains--and doing it well.

- ***Create a system driven by sound economics***: One of the flaws of the 1970 model is that intercity passenger rail has sometimes been defined by politics, habit and fear of change. That is one reason that some routes have stunningly high subsidies, such as the $466 per passenger subsidy in FY 2004 on the Los Angeles to Orlando *Sunset Limited.* Intercity passenger rail needs to serve the markets where there is an identifiable demand that intercity passenger rail can meet. It cannot and should not try to serve every market regardless of the cost and regardless of the revenue. Just as with other transportation modes and other successful businesses in general, intercity passenger rail needs to have the dexterity to recognize changing business patterns and demand, and that sometimes the services of yesterday are not needed or justified today or tomorrow. Intercity passenger rail service needs to be designed to cost-effectively meet and support the transportation needs of the traveling public and sponsoring public authorities.

- ***Introduce carefully managed competition to provide higher quality rail services at reasonable prices***: For the last 34 years under the 1970 model, intercity passenger rail service has not been subject to the discipline of the market place. On corridor services, for example, States do not have any alternative but to have Amtrak operate the intercity service. This has resulted in a service that is more costly than one would expect in a competitive situation, and which often has not been responsive to changing transportation patterns, demands or expectations. In a free market economy, competition leads to improved cost effectiveness, higher quality and innovation, elements that have been sorely lacking in intercity passenger rail for the past generation. Transition to competition is never easy, but it is necessary for the public to get the service it demands and deserves.

- ***Create an effective public partnership, after a reasonable transition, to manage the capital assets of the Northeast Corridor***: The Washington-New York City-Boston Northeast Corridor main line is the most heavily utilized rail route in the country, forming an essential link for intercity passenger and freight transportation and commuter access to the major cities of the Northeast. By some measures, such as the number of persons per day that use this infrastructure, Amtrak is a minority user of this infrastructure – particularly in urban areas. Transportation services on this corridor need to be insulated from the unpredictable consequences of Amtrak's own finances and needs at any given time. At least initially, the ownership of these assets should be in the public sector, and management and control of this asset should reflect significant input from the States that depend on the Northeast Corridor for passenger and freight mobility.

Last week the Administration's Passenger Rail Investment Reform Act (PRIRA) was transmitted to the 109th Congress. It sets out and details the Administration's proposals on specific ways to achieve these objectives. After a deliberate transition period, intercity passenger rail would become an economically viable and strategically effective mode of transportation, supporting numerous successful rail corridors nationwide. The Federal role in passenger rail would, however, be revised and strengthened to mirror much more closely the current Federal program supporting mass transit. As set out in Secretary Mineta's transmittal letter accompanying PRIRA, we look forward to working with the Congress to discuss and fashion the specifics of legislation in ways that will successfully reform intercity passenger rail for the future.

In addition, this week Amtrak's own Board of Directors and its Management are releasing strategic initiatives crafted Amtrak to begin the process of reform within the company itself. That is a timely development, with many positive elements. Amtrak's own recognition of the need for reform is a welcome response to Secretary Mineta's steadfast resolve to address the problems of intercity passenger rail, and create a viable future. It is encouraging that Amtrak's own plan adopts many of the Administration's proposals, though it lacks some provisions and our legislation will still be necessary. It is critical that we continue to pursue all avenues for reform, including legislation, if we are to avoid a collapse of Amtrak.

Conclusion

My own experience with Amtrak's Board persuades me that Amtrak itself recognizes the necessity for reform and that time is critical. Without reform, Amtrak is not sustainable at its current level of funding or at any level Amtrak is likely to receive in these difficult budgetary times. Moreover, history tells us that merely throwing money at the 1970 model of intercity passenger rail without addressing the problems that have been identified in the subsequent years does not result in any long-term improvements in Amtrak's finances or quality of service.

The Administration has been clear that it cannot support the failed model of the past, nor support putting more funding into that failed approach. We have been equally clear that IF meaningful reform is accomplished and implemented, the Administration would support funding of infrastructure and transition needs for train operations and related costs.

Secretary Mineta has repeatedly expressed the Administration's support for intercity passenger rail service as an integral part of our overall national transportation system. Congress, the Administration, and Amtrak itself have a brief window in which to adopt and implement meaningful reform. If this does not occur, discussions over reforming intercity passenger rail service will be taking place in a severe crisis situation in the not too distant future. In that unwelcome scenario, no options could be ruled out. The company faces a depleted cash balance, and a failed 1970 business model. It is for this reason that we urgently need Congress to address our legislative reform proposal this year.

As you can see, there is much work ahead for all of us as Congress considers these issues. Secretary Mineta and his team look forward to working with the Congress to assess and implement long-term solutions to the recurrent crisis that plagues the old model of intercity passenger rail. Thank you for the opportunity to share these observations on Amtrak and intercity passenger rail. I will be pleased to respond to any questions you may have.

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